



LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

March 2, 2010

The Honorable Arnold Schwarzenegger
The Honorable Members of the California Legislature
State Capitol
Sacramento, CA 95814

Dear Honorable Governor Arnold Schwarzenegger and Members of the California Legislature:

On February 17, 2009 President Obama signed the \$787 billion Federal Recovery Act to create and save jobs, spur economic activity and invest in long-term economic growth.

To help achieve these goals, workforce training programs are receiving significant Recovery dollars, in addition to their regular Workforce Investment Act funds for expanded summer youth, adult and dislocated worker training programs. The purpose of these programs is to provide educational services, occupational training and other workforce development activities that increase potential employment, retention, occupational skills, advancement opportunities and wage earnings of the unemployed or underemployed. In short, these programs empower people to take control of their lives, get on their feet and avail themselves of the help they need in order to succeed.

My Office is charged by the Governor with overseeing the state's spending of Recovery Act funds and to deter, detect and disclose waste, fraud and what I term stupid spending. As part of my mandate, my auditors are reviewing several Workforce Investment Boards (WIB) in California and their use of Recovery Act funds. Today I release my review of the Tulare County WIB.

Tulare County, located in the Central Valley and home to 426,000 people, has been extremely hard hit by the economic recession. Tulare's unemployment rate in December was a staggering 17.5% compared with 12.4% statewide and 10% nationally.

The Tulare County WIB has received \$6.8 million in Recovery Act dollars for Summer Youth, Adult and Dislocated Worker Programs. Our review found that the accounting practices of the WIB and their major sub-contractor left a lot to be desired. Problems included miscoded revenues, erroneous journal entries, inappropriate allocation methodology and shifting of expenses. In fact, my auditors corrected many of the accounting errors they found to help reconcile the WIB's books.

In addition, the Tulare WIB allocated one million Recovery Act dollars, for its total overhead to pay for such things as rent, equipment, utility bills, etc. This was done in spite of the fact that the WIB was basically a pass through to the sub-contractors who were providing the actual services to the community. For example, when these numbers were corrected for the summer youth program, it was found that only \$60,000, instead of \$1,000,000, should have been allocated for these expenses! These

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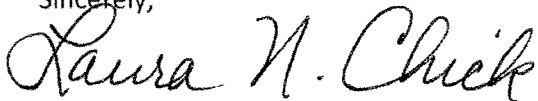


precious dollars were intended to be spent providing training to at risk youth who need to improve their workforce readiness skills.

Over and over again the transparency and accountability of the Recovery Act has been emphasized, as has the importance of keeping ARRA dollars sacredly separate and expenditures carefully tracked. This is not however, what we found at the Tulare WIB. We've been told not to worry by officials at the Federal Department of Labor and the State Employment and Development Department. They feel that the WIB will reconcile these discrepancies and make the accounting adjustments at the end of the 2011 fiscal year. While this might be legal and might make sense at the end of the day, this kind of confusing and convoluted accounting flies in the face of the intent and spirit of the Recovery Act.

President Obama and Governor Schwarzenegger have made it clear from the beginning that the Recovery Act was about government doing it better than ever before...expeditiously, efficiently and effectively. This report is a call to other WIBS to look at the lessons to be learned. There is a better way to spend the Recovery dollars which actually help people get back on their feet again and rev the engine of our economy.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
Inspector General

Cc: Victoria Bradshaw, Secretary California Department of Labor
Herb Schultz, Director California Recovery Task Force
Pam Harris, Director, Employment Development Department



LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

March 2, 2010

Mr. Adam Peck, Executive Director
Tulare County Workforce Investment Board
4025 West Noble Avenue, Suite A
Visalia, CA 93277

Dear Mr. Peck:

Review Report—Tulare County Workforce Investment Board

The State of California, Office of the Inspector General, American Recovery and Reinvestment Act Funds (IG) performed a review of Tulare County Workforce Investment Board's (TCWIB) use of American Recovery and Reinvestment Act (ARRA) funds for Workforce Investment Act (WIA) programs. This report summarizes the results of that review, and includes TCWIB's response.

The TCWIB was awarded ARRA funds of \$8,967,011 for the following federal WIA programs: Summer Youth Program, Adult Program, Dislocated Worker Program, and Rapid Response Program. TCWIB received \$6,847,084 for the Summer Youth Program, the Adult Program, and the Dislocated Worker Program (between June 4, 2009 and January 21, 2010). As of the review date, no ARRA funds were requested or received for the Rapid Response Program.

Scope

The review was conducted from January 25, 2010 through February 3, 2010, and covered the period June 4, 2009 through January 21, 2010. The review included only those programs that had received ARRA funds, and focused primarily on the Summer Youth Program, which accounted for 56 percent of the total amount claimed. The scope included program expenses, cost allocations to the programs, and reported program statistics.

Methodology

TCWIB's general ledger along with other accounting records and source documents were reviewed to evaluate whether ARRA funds were properly accounted for and spent. Costs allocated to various TCWIB programs and the allocation method was reviewed for propriety and reasonableness. IG staff reviewed contracts between TCWIB and subcontractors and met with the entities to gain an understanding of the programs supported by ARRA funds. IG staff reviewed documents and interviewed staff to determine whether subcontractor cost reimbursement methods were appropriate. A sample of participant files were reviewed to verify that participants of Summer Youth Program met program requirements, were properly reported and documented, and successfully completed the program.

Summary of Review

The amount of ARRA funds TCWIB received was \$1,890,286 more than recorded ARRA expenses, representing 27.6 percent of the \$6,847,084 in ARRA funds distributed to TCWIB. The TCWIB claims that the funds were used to pay for non-ARRA funded WIA programs. The review disclosed several significant accounting errors and excessive overhead expenses allocated to ARRA funding. Also, unused funds were held by a subcontractor in a non-interest bearing account.

Table 1
Computation of Excess ARRA Funds

	ARRA Program			
Revenue	Summer Youth	Adult	Dislocated Worker	Total
ARRA Revenue per General Ledger	\$3,540,843	\$1,353,320	\$1,643,321	\$6,537,484
Miscoded Revenue	309,600			309,600
Revenue per Review	\$3,850,443	\$1,353,320	\$1,643,321	\$6,847,084
Expenses				
Per General Ledger	\$ 906,273	\$ 493,969	\$ 678,797	\$2,079,039
Miscoded Expense	1,157,907			1,157,907
Correction for Adjusting JE	1,335,572			1,335,572
Initial Overhead	1,024,343			1,024,343
Revised Overhead Variance*	(965,184)	283,093	279,669	(402,422)
CSET Excess Funds	(4,884)	(80,335)	(152,422)	(237,641)
Expenses per Review	\$ 3,454,027	\$ 696,727	\$ 806,044	\$ 4,956,798
Excess Funds Received	\$ 396,416	\$656,593	\$837,277	\$1,890,286

* The variances for ARRA Adult and Dislocated programs represent the revised numbers provided by TCWIB and not an actual variance.

Review Findings

Revenue of \$309,600 not recorded as American Recovery and Reinvestment Act related

A reconciliation of the \$6,847,084 in ARRA funds provided by Employment Development Department (EDD) with the TCWIB's accounting records disclosed that \$309,600 was not recorded as ARRA-related. IG staff found that those funds were miscoded by TCWIB in their accounting records.

Recorded American Recovery and Reinvestment expenses \$4,768,045 less than funding received

IG staff reviewed the general ledgers for the fiscal year ended June 30, 2009 and for July 1, 2009 through January 21, 2010. The general ledgers recorded ARRA expenses of only \$2,079,039 of the \$6,847,084 received for ARRA Summer Youth, ARRA Adult, and ARRA Dislocated worker. Recorded ARRA expenditures represented only 30 percent of ARRA funds received by the TCWIB. IG staff determined that several errors and omissions contributed to this variance, including: miscoded expenses, erroneous journal entries, and significant issues in the pooled overhead distribution.

Miscoded expenses of \$1,157,907 in the American Recovery and Reinvestment Summer Youth Program

TCWIB's recording of expenses related to ARRA-funded programs contained several errors. Miscoded expenses of \$1,157,907 were reviewed and identified as Summer Youth Program payments made to subcontractors. These expenses were added as valid expenses in the IG staff's calculation of excess ARRA funds in Table 1.

Erroneous journal entry understated American Recovery and Reinvestment Summer Youth Program expenses by \$1,335,572

TCWIB made an error in posting an adjusting journal entry to the ARRA Summer Youth Program account. An adjusting journal entry of \$667,786 was entered as a credit when it should have been entered as a debit. IG staff reviewed and verified a correcting journal entry of \$1,335,572. This amount was added as a valid expense in the IG staff's calculation of excess ARRA funds in Table 1.

Excessive pooled overhead expense distributed to American Recovery and Reinvestment funded programs

IG staff determined that TCWIB allocated 52 percent of its total indirect costs to ARRA funded programs during the quarter ended September 30, 2009. TCWIB allocates pooled overhead expense on the basis of total direct cost, including the cost of major subcontracts. The Executive Office of the President's Office of Management and Budget (OMB) Circular 122, states that a distribution base may be total direct costs, excluding capital expenditures and other distorting items, such as major subcontracts or subgrants.

IG staff determined the inclusion of subcontract costs in the base distorted the distribution of pooled expense and resulted in an excessive allocation of pooled overhead expense to ARRA funded programs. Subcontracts accounted for 94 percent of the direct costs associated with the ARRA Summer Youth Program. The subcontractors used their own buildings and staff to administer the Summer Youth Program and distributed their own overhead expenses to the program.

Erroneous costs included in pooled expense

A review of pooled overhead expenses found errors in accounting and propriety. Rent expense (for leased buildings) was included in the pooled overhead expenses that were distributed to various programs. IG staff noted that portions of the leased buildings were sub-leased, and TCWIB had not offset expenditures with rent revenues on subleased space prior to distributing the expense. The IG staff also noted that rent expenditures and revenues were improperly recorded.

Additionally, TCWIB included certain accounts in pooled overhead expense in error. For example, TCWIB had a catch-all account named “Contribution to Other.” TCWIB staff indicated that when they were unsure about the appropriate account for a particular expense, they recorded it to this account. The “Contribution to Other” account did not contain overhead expense and should not have been included in the pooled overhead expenses.

Revised allocation decreases pooled overhead cost distributed to American Recovery and Reinvestment Youth Program by \$965,184

As a result of our review, TCWIB developed a revised pooled cost allocation methodology and eliminated costs from the pool. Total pooled expense allocated to the ARRA Youth Program before the proposed change in methodology was \$1,024,343. The change in allocation reduced this to \$59,159, a variance of \$965,184.

TCWIB did not provide IG staff with pooled overhead costs for the ARRA Adult and ARRA Dislocated Worker program, therefore no offsetting adjustment could be made, or variance calculated. However, the IG staff did include in Table 1 pooled overhead costs for those programs based on TCWIB's revised methodology.

Excess funds totaled \$1,498,754 for all American Recovery and Reinvestment programs

The amount of ARRA Adult and Dislocated Worker Program funds TCWIB received was \$1,261,113 more than ARRA recorded expenses for these programs. The TCWIB received \$2,996,641 for the ARRA Adult and ARRA Dislocated Worker Programs but had only \$1,172,766 in recorded expenses. The variance between funds received and recorded expenses totaled \$1,823,875 for the two programs. The IG staff determined that part of this variance was unrecorded pooled overhead costs of \$562,762 for the two programs. After inclusion of overhead, the ARRA funding for Adult and Dislocated Worker Programs was determined to exceed ARRA expenditures by \$1,261,113 ($1,823,875 - 562,762$).

According to TCWIB these funds were spent on non-ARRA funded WIA programs. Their practice is to draw down funds from different funding sources and pay expenses for several programs, without regard to funding source. TCWIB and EDD staff report that a reconciliation is performed at the end of the fiscal year followed by a single audit to assure proper use of funds.

IG staff contend that this practice is not in conformance with federal guidance, contract language and state directives. The U.S. Department of Labor Training and Employment Guidance Letter No. 14-08 states that in utilizing ARRA funding, the workforce system must be guided by the principles of transparency and accountability, as well as timely expenditure and activity implementation. The guidance further states that the ARRA funds are to supplement and be spent concurrently with annual WIA/Wagner-Peyser funding and should not be used to replace funding currently dedicated to workforce development and summer jobs. The U.S. Department of Labor Annual Funding Agreement Addendum for ARRA states that grantees are advised that ARRA funds are intended to supplement, not supplant existing WIA Title I State formula funds.

Furthermore, the OMB issued updated implementing guidance for ARRA in April 2009. This guidance notes that agencies need to “effectively expedite recovery expenditures in a manner that does not compromise program objectives or increase the risk of unintended consequences (e.g. accounting and/or payment errors, waste, fraud, etc.).” Finally, EDD has included language in its WIA subgrant agreement modification, which advises subgrantees that ARRA funds are intended to supplement, not supplant

existing WIA funds, and that subgrantees agree to separately identify the expenditures for each subgrant funded under ARRA.

These guidelines and directives are explicit. To meet the transparency and accountability tenets of the Recovery Act, ARRA funds and expenditures must be separately recorded. The performance of an annual reconciliation that results in adjusting journal entries does not provide for transparent expenditure of funds. Further, while the activities of ARRA and non-ARRA WIA activities are similar, the lack of separate recording of ARRA expenditures prohibits assurance that the ARRA funds are not used to supplant WIA funds. This concern is exemplified in the fact that while TCWIB has received 76 percent of its ARRA allotment, the rate at which the TCWIB has expended some of these funds has been protracted. According to data released by EDD, the TCWIB's percentage of unspent funds were 82 and 62 percent at December 31, 2009 for the Dislocated Worker and Adult Programs, respectively.

Excess funds totaling \$237,641 were paid by TCWIB to Community Services Employment Training, Inc. (CSET). CSET was one of the major subcontractors for the ARRA Summer Youth Program, the ARRA Adult Program, and the ARRA Dislocated Worker Programs. Under their contract with TCWIB, CSET was to be reimbursed for their costs to administer these programs. However, TCWIB advanced CSET funds monthly, based on CSET's cost estimates. During the review, IG staff determined that ARRA revenues from TCWIB exceeded CSET's ARRA expenses by \$237,641 as follows: \$4,884 excess ARRA Summer Youth Program, \$80,335 excess ARRA Adult Program, and \$152,422 excess ARRA Dislocated Worker Program. In violation of WIA, the excess funds were not maintained in an interest bearing account.

Exceptions noted in the reported jobs created and saved estimate

IG staff determined that TCWIB under reported their job estimate by 51.2 full-time equivalents for the September 30, 2009 reporting period. Also, documentation provided to TCWIB by their contractors for the Summer Youth Program was not reviewed for accuracy prior to calculating the job estimate statistic. The jobs estimate was correctly calculated and reported for the December 31, 2009 period.

Youth Program served 1,812 participants

The youth program served 1,812 participants and, according to interviews of subcontractor staff, the majority of the participants completed the program and achieved their work readiness goals. This finding was supported by a limited review of youth participant files.

The IG staff noted that 70 percent of the subcontractor expenses were applied to the payment of participant wages in accordance with the contracts between TCWIB and subcontractors. While the ARRA Summer Youth Program ended September 30, 2009, the other programs are still in progress. While at the facility, IG staff observed that the One-Stop Center was always busy and appeared to be serving its intended purpose.

A limited review of youth participant files was determined that participants in the Summer Youth Program met the requirements of the program.

Conclusion

To allow for transparency and accountability of ARRA funds, the TCWIB should observe all federal and state directives to ensure that: ARRA funds are separately identified and recorded; ARRA funds are

spent concurrently with annual WIA/Wagner-Peyser funding; and ARRA funds supplement, not supplant, WIA/Wagner-Peyser funding. Furthermore, TCWIB should demonstrate to EDD how the \$965,184 in excess overhead will be expended on appropriate ARRA funded activities. Finally, we recommend that TCWIB more actively oversee the expenditure of ARRA funds by its subcontractors.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is fluid and cursive, with the first name "Laura" being more prominent than the last name "Chick".

LAURA N. CHICK
California Inspector General
American Recovery and Reinvestment Act



February 24, 2010

Laura N. Chick
Inspector General
1400 Tenth Street
Sacramento, CA 95814

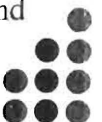
Subject: Draft Review Report Response – Workforce Investment Board of Tulare County

Dear Ms. Chick:

Through the American Recovery and Reinvestment Act (ARRA), the Workforce Investment Board of Tulare County (WIB) was awarded funds to supplement local Workforce Investment Act programs for Summer Youth, Adults, Dislocated Workers, and Rapid Response. In January 2010, the WIB was reviewed by the State of California, Office of the Inspector General, American Recovery and Reinvestment Act Funds (IG).

This is the WIB's response to the findings detailed in the IG's Draft Review Report:

1. The WIB is concerned that the review contains statements that could lead to the inaccurate conclusion that the WIB lacked the appropriate documentation to support the expenditure of revenue received through the subgrant agreement with EDD.
2. The WIB has adequate documentation to substantiate the expenditure of all federal funds received through the Employment Development Department (EDD). IG staff primarily reviewed ARRA expenditures. These funds represent just a portion of the Workforce Investment Act funds contained in the WIB's subgrant agreement with EDD. The WIB can demonstrate that all funds received were used to pay for expenses allowable under the EDD subgrant agreement.
3. The WIB has appropriate processes in place to ensure that there is no excess cash on hand. The processes used, and demonstrated to IG staff, ensure that cash is only drawn down to meet immediate cash needs. Processes used are in accordance with State and County guidance.



4. The IG's Draft Review Report included a recommendation to modify the WIB's cost allocation methodology. IG staff suggested that, when using direct costs as the basis of allocating indirect and administrative costs, large subcontracts should be excluded. We have determined that modifying the WIB's cost allocation plan to incorporate the IG's recommendation would improve the distribution of indirect and administrative costs. Consequently, the WIB is working with EDD to make adjustments in EDD's Financial Reporting system and Cash Management system to reflect these changes.

The WIB has addressed each of your findings below:

We would like to clarify an issue that may have caused some confusion. The WIB receives ARRA funds as part of a subgrant agreement (our contract with EDD). This subgrant includes WIA formula and ARRA grant allocations. All WIB expenditures for the period of review are on WIA programs. These expenditures meet the "allowable under ARRA" definition.

1. Revenue of \$309,600 not recorded as ARRA related –

The WIB began planning a summer program for Tulare County upon the passage of ARRA. We began the process of contracting and project development. However, our accounting system (operated by the Tulare County Auditor's office) required a number of processes to create separate "unit" numbers for ARRA projects. The revenue in question was received on 6/4/09, before the 4400 unit (ARRA Summer) was created. It was categorized as WIA Youth Formula (unit 3300) in our general ledger. However, expenses were reported to EDD in the correct grant code (ARRA Youth 103).

2. Recorded ARRA expenses less than funding received –

There are a number of elements that resulted in this difference including miscodings in the general ledger that were not included in ARRA unit 4200, 4400 or 4500. The \$2,079,039 expenditure figure mentioned in your finding does not incorporate any pooled costs or the journal entry referenced in response 4. These issues are also addressed in responses 3 and 4.

The WIB is in the process of making adjustments to align WIA expenses in the proper units on our general ledger. We are working with EDD to revise reporting for quarters ending 6/30/09, 9/30/09 and 12/31/09. Journal entries recoding expenses and allocating pooled costs will be the basis of incorporating adjustments to the general ledger. At the time expenditure reports were submitted to EDD, costs were allocated based on current cost allocation plans and grant related expenditures. The WIB will make every effort to ensure that future expenses are accurately coded in the general ledger and reported to EDD.

3. Miscoded expenses in ARRA Summer Youth program

Financial expenditure reports to EDD represented correct expenditures. These expenses were reported to EDD using a schedule for direct costs (on OLGL), pooled costs, and a reconciliation of Service Provider invoices. There was a lag in creation of the 4400 ARRA Summer object codes in the Tulare County fiscal system. The majority of these expenses are Service Provider invoice expenses and were coded to the WIA Formula "unit" (3300 WIA Formula Youth). Journal entries have been made to recode these expenses and copies were provided to IG staff at the time of their visit.

4. Erroneous journal entry understated ARRA Summer Youth expenses

The WIB recoded the expenses - referenced in #3 – from the WIA Youth Formula unit 3300 to the ARRA Summer Youth unit 4400. The original journal entry, and the reversal were both completed before IG staff's visit. The reversal journal entry was created within one working day of the original adjustment. Our reporting mechanism required a "cycle" be completed before the journal entry showed on the general ledger. An updated general ledger was provided to IG staff at the time of their visit.

5. Excessive pooled overhead expense distributed to ARRA programs

The WIB had an established cost allocation basis for pooled costs. However, IG recommended a modification to the WIB cost allocation methodology. IG staff suggested that, when using direct costs as the basis of allocating indirect and administrative costs (overhead to use your term), large subcontracts should be excluded. We have determined that modifying our cost allocation plan to accept your recommendation improves our distribution of indirect and administrative costs, and we thank the IG staff for helping us improve our policies and practices in this area. Consequently, the WIB is working with EDD to make adjustments in the financial reporting system.

6. Erroneous costs included in pooled expense

Rent Revenue – The WIB receives rental income for space from a number of one stop partners (EDD, Department of Rehabilitation, etc.). This income is allocated to a revenue line. In determining cash needs, this revenue is used before drawing down WIA funds. However, this revenue was not "netted" against the rental expense. Our procedure has been revised to code rental income to the "rent" object, thus "net" expenses will be allocated. Rental income will be "netted" in determining allocated expenses for revised reports.

"Contribution to Other" – The WIB is not sure of the specific instance related to this issue in question. There are no expenses in this code for the program year 2009-2010 and any expenses

prior to 7/1/09 would not have been included in allocated pooled costs. Additionally, these expenses are not part of our revised cost allocation process or pool.

7. Revised Allocation decreased pooled overhead costs distributed to ARRA

IG recommended a modification to the WIB cost allocation methodology. IG staff suggested that, when using direct costs as the basis of allocating indirect and administrative costs (overhead to use your term), large subcontracts should be excluded. We have determined that modifying our cost allocation plan to accept your recommendation will improve our distribution of indirect and administrative costs, and we thank the IG staff for helping us improve our policies and practices in this area. Consequently, the WIB is working with EDD to make adjustments to EDD's Financial Reporting system and Cash Management system to reflect these changes.

8. Excess funds for ARRA programs

I am confident that the WIB has adequate documentation to substantiate the expenditure of all funds received from the Employment Development Department. Though IG staff primarily reviewed supplemental WIA funds provided through ARRA, those funds represent only a portion of the WIA funds contained in the WIB's subgrant agreement with EDD. We are able to demonstrate that all funds received by the WIB were used to pay for expenses allowable under that subgrant agreement.

Additionally, I am confident that the WIB has the proper process in place to ensure that we do not have excess cash on hand. The process we use, and demonstrated to IG staff, ensures that we only draw cash from EDD to meet immediate cash needs.

The WIB has the proper process in place to ensure that we do not have excess cash on hand. The process we use, and demonstrated to IG staff, ensures that we only draw cash from EDD to meet immediate cash needs. As is our practice, the WIB conducted a reconciliation of cash drawn (as of 2/18/10) to EDD financial reports for 12/31/09. Based on that information, the WIB has revised "cash draw down" amounts in our WIA grants. This positive/negative adjustment in our EDD subgrant agreements involved a net "negative" to WIA ARRA funds of (subgrant R970575 on 2/18/10) (\$1,236,993) and a corresponding "positive" \$1,236,993 to WIA Formula (subgrant K074179 on 2/18/10) funds. This action brings WIA (Formula and ARRA) expenses and cash

requested in alignment. Attachment A "Summary of Cash Request" provides documentation of this adjustment –there is an astrix on line 2/18/10 indicating the adjustments. Revised cash drawn for ARRA grants is:

103 Youth Summer	3,388,916
102 Adult	630,292
105 Dislocated Worker	1,373,643
106 Rapid Response	217,239

In terms of the issue of advances to CSET, the WIB is not sure of the specific instance related to this matter. The issue of excess funds provided to CSET was not specifically addressed during the exit conference. As part of the monitoring process the WIB ensures that all expenditures paid by funds provided through contract with the WIB are allowable and adequately documented. Also, monthly invoices are reviewed in conjunction with cash advance requests. Cash advances are provided only when sufficient need is demonstrated.

Interest bearing account issues –It is the WIB’s practice to draw cash on an “as needed” basis. However, if funds are not immediately dispersed, the Tulare County’s bank account is “interest bearing”. As to the issue of CSET’s (our Service Provider) interest bearing account, I have included an excerpt from a letter written by their bank:

“In response to your recent inquire regarding an interest-bearing account, after reviewing the account activity for six months; it was found the cost for the account would out-weigh the potential interest-earnings ability. This is due to the historical minimal balance that is carried on a daily basis in the checking account.”

Attachment B contains a copy of the letter regarding CSET’s account and an excerpt of the WIB’s On Line General Ledger (OLGL) indicating interest income.

9. Exceptions noted in the reported jobs created and saved estimate

There have been numerous changes by Office of Management and Budget regarding the completion of this report. The WIB strives to follow the most current direction. As stated in your report, elements submitted for 12/31/09 are correct.

Conclusion:

The Workforce Investment Board of Tulare County is proud of our successes achieved with ARRA funds. To date we have:

1. Put over 1,800 young people to work in our Youth@Work Program
2. Helped 170 people to work by securing On the Job Training agreements with area businesses
3. Increased the skills of over 500 people through Individual Training Accounts
4. Trained 144 people through direct investments in new or expanded Community College training programs
5. Provided more than 500 supportive services

As explained in the body of our response, the WIB remains confident that all WIA revenue is appropriately accounted for and all WIA expenditures are adequately supported. The WIB believes that the modification of our cost allocation plan represents a valued outcome of the IG visit that will improve our process of distributing pooled costs. We look forward to continuing to

invest the remaining ARRA funds to increase the skills and career opportunities of the residents of Tulare County.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Peck". The signature is stylized with a large, sweeping "A" and a distinct "P".

Adam Peck
Executive Director

AP:NH:LC
h:\castanon\adam\ig draft review response report.doc

PSCR
 tulixward

SUMMARY OF CASH REQUEST

02/18/2010
 16:34:12

Attachment A

As of Request Date 02/18/2010
 Subgrant Code TUL Name TULARE COUNTY
 Subgrant No. K074179 Year of Appropriation 2009

Entry Date	Delivery Date	Total	301 WIA YOUTH	201 WIA ADULT	202 WIA ADULT2	501 WIA DLW	540 WIA RR
08/27/2009	09/01/2009	\$ 500,000.00	\$ 500,000.00				
11/04/2009	11/10/2009	\$ 328,000.00		\$ 328,000.00			
11/12/2009	11/18/2009	\$ 170,000.00		\$ 170,000.00			
12/23/2009	12/28/2009	\$ 210,900.00			\$ 210,900.00		
01/13/2010	01/19/2010	\$ 122,360.00	\$ 5,000.00		\$ 58,680.00	\$ 58,680.00	
02/02/2010	02/08/2010	\$ 447,900.00			\$ 447,900.00		
02/12/2010	02/18/2010	\$ 533,000.00			\$ 533,000.00		
02/18/2010	02/24/2010	\$ 1,236,993.00		\$ 3,814.00	\$ 735,269.00	\$ 439,877.00	\$ 58,033.00

Page total \$ 3,549,153.00 \$ 505,000.00 \$ 501,814.00 \$ 1,985,749.00 \$ 498,557.00 \$ 58,033.00
 Total \$ 3,549,153.00 \$ 505,000.00 \$ 501,814.00 \$ 1,985,749.00 \$ 498,557.00 \$ 58,033.00

PSCR
tulxward

SUMMARY OF CASE REQUEST

02/24/2010
14:50:54 AH/achm/Schedule A

As of Request Date 02/24/2010
Subgrantee Code TUL Name TULARE COUNTY
Subgrant No. R970575 Year of Appropriation 2008

Entry Date	Delivery Date	Total	301 WIA YOUTH	202 WIA ADULT2	201 WIA ADULT	501 WIA DLN	540 WIA RR	502 WIA DLN2	541 WIA RRH
07/18/2008	07/23/2008	\$ 375,000.00	\$ 375,000.00						
08/04/2008	08/06/2008	\$ 500,000.00	\$ 500,000.00						
09/11/2008	09/16/2008	\$ 273,000.00	\$ 273,000.00						
		\$ -273,000.00	\$ -273,000.00						
09/16/2008	09/19/2008	\$ 273,000.00	\$ 273,000.00						
10/23/2008	10/27/2008	\$ 121,663.00		\$ 121,663.00					
11/17/2008	11/20/2008	\$ 276,922.00			\$ 138,461.00	\$ 138,461.00			
11/25/2008	12/02/2008	\$ 392,324.00		\$ 196,162.00		\$ 196,162.00			
12/01/2008	12/03/2008	\$ 101,871.00				\$ 101,871.00			
12/04/2008	12/09/2008	\$ 373,233.00	\$ 93,882.00	\$ 124,411.00		\$ 124,411.00	\$ 30,529.00		
12/23/2008	12/29/2008	\$ 618,144.00	\$ 123,629.00	\$ 247,258.00		\$ 118,580.00		\$ 128,677.00	
01/29/2009	02/02/2009	\$ 200,000.00						\$ 150,000.00	\$ 50,00
02/11/2009	02/17/2009	\$ 300,000.00	\$ 150,000.00	\$ 150,000.00					
02/24/2009	02/26/2009	\$ 933,684.00	\$ 329,351.00	\$ 329,354.00				\$ 274,979.00	
03/03/2009	03/09/2009	\$ 364,355.00	\$ 118,118.00	\$ 118,118.00				\$ 118,119.00	\$ 10,00
03/09/2009	03/11/2009	\$ 787,502.00	\$ 38,075.00	\$ 38,076.00				\$ 709,851.00	\$ 1,50
		\$ -671,775.00						\$ -671,775.00	
03/16/2009	03/19/2009	\$ 294,809.00		\$ 294,809.00					
03/23/2009	03/25/2009	\$ 98,228.00	\$ 98,228.00						
04/01/2009	04/06/2009	\$ 88,000.00		\$ 88,000.00					
04/14/2009	04/16/2009	\$ 244,270.00			\$ 244,270.00				
04/21/2009	04/24/2009	\$ 146,958.00	\$ 23,479.00		\$ 123,479.00				
04/29/2009	05/01/2009	\$ 318,993.00	\$ 63,798.00	\$ 255,195.00					
05/13/2009	05/15/2009	\$ 93,880.00	\$ 46,940.00	\$ 46,940.00					
05/19/2009	05/21/2009	\$ 407,691.00	\$ 135,897.00	\$ 135,897.00				\$ 135,897.00	
06/04/2009	06/09/2009	\$ 309,600.00							
Page total		\$ 6,948,352.00	\$ 2,369,397.00	\$ 2,145,883.00	\$ 506,210.00	\$ 679,485.00	\$ 30,529.00	\$ 845,748.00	\$ 61,50
Total		\$ 6,948,352.00	\$ 2,369,397.00	\$ 2,145,883.00	\$ 506,210.00	\$ 679,485.00	\$ 30,529.00	\$ 845,748.00	\$ 61,50

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SUMMARY OF CASH REQUEST

02/24/2010
 14:50:54

As of Request Date 02/24/2010
 Subgrantee Code TUL Name TULARE COUNTY
 Subgrant No. R970575 Year of Appropriation 2008

Entry Date	Delivery Date	103 ARRA-YOUTH	102 ARRA-ADULT	105 ARRA-DW	307 25% DW AUG	500 DW AD RND2	106 ARRA-RR PM
07/18/2008	07/23/2008						
08/04/2008	08/06/2008						
09/11/2008	09/16/2008						
09/16/2008	09/19/2008						
10/23/2008	10/27/2008						
11/17/2008	11/20/2008						
11/25/2008	12/02/2008						
12/01/2008	12/03/2008						
12/04/2008	12/09/2008						
12/23/2008	12/29/2008						
01/29/2009	02/02/2009						
02/11/2009	02/17/2009						
02/24/2009	02/26/2009						
03/03/2009	03/09/2009						
03/09/2009	03/11/2009						
03/16/2009	03/19/2009						
03/23/2009	03/25/2009						
04/01/2009	04/06/2009						
04/14/2009	04/16/2009						
04/21/2009	04/24/2009						
04/29/2009	05/01/2009						
05/13/2009	05/15/2009						
05/19/2009	05/21/2009						
06/04/2009	06/09/2009	\$ 309,600.00					
Page total		\$ 309,600.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total		\$ 309,600.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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SUMMARY OF CASH REQUEST

02/24/2010
 14:50:54

As of Request Date 02/24/2010
 Subgrantee Code TUL Name TULARE COUNTY
 Subgrant No. R970575 Year of Appropriation 2008

Entry Date	Delivery Date	Total	301 WIA YOUTH	202 WIA ADULT2	201 WIA ADULT	501 WIA DLW	540 WIA RR	502 WIA DLW2	541 WIA RR#
06/15/2009	06/18/2009	\$ 61,700.00							
06/22/2009	06/24/2009	\$ 89,561.00							
07/01/2009	07/03/2009	\$ 1,184,000.00		\$ 92,000.00					
07/15/2009	07/21/2009	\$ 89,100.00	\$ 89,100.00						
07/23/2009	07/28/2009	\$ 747,542.00	\$ 639,542.00						
07/29/2009	08/03/2009	\$ 960,000.00							
08/05/2009	08/11/2009	\$ 148,000.00							
08/14/2009	08/19/2009	\$ 425,000.00							\$ 25.00
08/27/2009	09/01/2009	\$ 1,284,077.00							
09/16/2009	09/21/2009	\$ 281,100.00							
09/30/2009	10/05/2009	\$ 818,000.00							
10/09/2009	10/14/2009	\$ 592,597.74							
10/20/2009	10/23/2009	\$ 327,849.00							
10/26/2009	10/28/2009	\$ 5,088.00							\$ 5.08
11/04/2009	11/10/2009	\$ 328,000.00							
11/30/2009	12/02/2009	\$ 378,000.00							
12/10/2009	12/15/2009	\$ 262,900.00							
12/15/2009	12/21/2009	\$ 418,000.00							
		\$ -418,000.00							
12/22/2009	12/24/2009	\$ 430,000.00							
		\$ -430,000.00							
12/23/2009	12/28/2009	\$ 637,100.00							
01/13/2010	01/19/2010	\$ 73,240.00							
02/18/2010	02/24/2010	\$ -1,236,993.00							

Page total \$ 7,455,861.74 \$ 728,642.00 \$ 92,000.00 \$ 506,210.00 \$ 679,485.00 \$ 30,529.00 \$ 845,748.00 \$ 30.08
 Total \$ 14,404,213.74 \$ 3,098,039.00 \$ 2,237,883.00 \$ 506,210.00 \$ 679,485.00 \$ 30,529.00 \$ 845,748.00 \$ 91.58

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SUMMARY OF CASH REQUEST

02/24/2010
 14:50:54

As of Request Date 02/24/2010
 Subgrantee Code TUL Name TULARE COUNTY
 Subgrant No. R970575 Year of Appropriation 2008

Entry Date	Delivery Date	103 ARRA-YOUTH	102 ARRA-ADULT	105 ARRA-DW	307 25% DW AUG	500 DW AD RND2	106 ARRA-RR FM
06/15/2009	06/18/2009	\$ 61,700.00					
06/22/2009	06/24/2009	\$ 89,561.00					
07/01/2009	07/03/2009	\$ 1,000,000.00	\$ 92,000.00				
07/15/2009	07/21/2009						
07/23/2009	07/28/2009		\$ 108,000.00				
07/29/2009	08/03/2009	\$ 792,000.00	\$ 84,000.00	\$ 84,000.00			
08/05/2009	08/11/2009	\$ 148,000.00					
08/14/2009	08/19/2009	\$ 200,000.00	\$ 100,000.00	\$ 100,000.00			
08/27/2009	09/01/2009	\$ 1,000,000.00	\$ 142,038.00	\$ 142,039.00			
09/16/2009	09/21/2009	\$ 93,700.00	\$ 93,700.00	\$ 93,700.00			
09/30/2009	10/05/2009			\$ 818,000.00			
10/09/2009	10/14/2009		\$ 296,298.87	\$ 296,298.87			
10/20/2009	10/23/2009	\$ 109,283.00	\$ 109,283.00	\$ 109,283.00			
10/26/2009	10/28/2009						
11/04/2009	11/10/2009		\$ 328,000.00				
11/30/2009	12/02/2009				\$ 378,000.00		
12/10/2009	12/15/2009					\$ 262,900.00	
12/15/2009	12/21/2009					\$ 418,000.00	
						\$ -418,000.00	
12/22/2009	12/24/2009			\$ 210,900.00		\$ 219,100.00	
				\$ -210,900.00		\$ -219,100.00	
12/23/2009	12/28/2009					\$ 637,100.00	
01/13/2010	01/19/2010	\$ 46,599.00			\$ 26,641.00		
* 02/18/2010	02/24/2010	\$ -461,527.00	\$ -723,027.00	\$ -269,678.00			\$ 217,239.00

Page total \$ 3,079,316.00 \$ 630,292.87 \$ 1,373,642.87 \$ 404,641.00 \$ 900,000.00 \$ 217,239.00
 Total \$ 3,388,916.00 \$ 630,292.87 \$ 1,373,642.87 \$ 404,641.00 \$ 900,000.00 \$ 217,239.00

Attachment B – Interest Income

09/22/2008 16:56 5597327021

PAGE 03



500 West Main Street
Visalia, California 93291
Phone (559) 636-2500
Fax (559) 636-2352

April 29, 2008

Community Services and Employment Training Inc.
Attn: Vicki Gilson
P O Box 1350
Visalia, CA 93279-1350

Dear Vicki,

In response to your recent Inquire regarding an interest-bearing account, after reviewing the account activity for six months; it was found the cost for the account would out-weigh the potential interest-earnings ability. This is due to the historical minimal balance that is carried on a daily basis in the checking account.

If you have any further questions, or would like to discuss this further, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Lisa Nunes'.

Lisa Nunes, Vice President
Relationship Manager

Below is an excerpt from the WIB's On Line General Ledger (OLGL) demonstrating interest income:

FUND	DEPT	UNIT	RSRC	ACTV	TRAN DT	TRANSACTION ID	DOCUMENT DESCRIPTION	AMOUNT
015	120	3000	4010	5610	09/30/2009	JVA 030 25520052393	Qtr Interest	692.92
015	120	3000	4010	5610	12/31/2009	JVA 030 25520053514	Qtr Interest	663.14

The State of California, Office of the Inspector General, American Recovery and Reinvestment Act Funds (IG) issued a draft review report to Tulare County Workforce Investment Board (TCWIB) on February 16, 2010. We received the TCWIB's response to that report on February 24, 2010.

We note that the TCWIB is in agreement with several of the items noted in the report. Specifically, the TCWIB agrees to modify the methodology used to allocate overhead. The TCWIB reports that they are working to implement these changes in the financial reporting and cash management systems. Additionally, TCWIB acknowledges that the amount of rent included in the pooled expenses should have been net of rent income received. With regard to the account "Contribution to Other," IG staff notes that while this was not included in the new allocation schedule, it was included in the original documentation provided to support the original overhead allocation.

The response emphasizes that TCWIB possesses adequate documentation to substantiate the expenditure of all federal funds. TCWIB notes that the IG staff reviewed ARRA expenditures, which are only one component of the funds provided by the EDD subgrant agreement. However, we contend that ARRA specific federal guidance, contract language and state directives require that ARRA funds and expenditures are separately recorded, that ARRA funds are to supplement and be spent concurrently with annual WIA/Wagner-Peyser funding and that ARRA funds should not be used to replace funding currently dedicated to workforce development and summer jobs.